



Budget Policy Direction for FY 1999-01

The following budget policy direction is incorporated within the assumptions of the Long-Range Financial Capacity Study. Any options provided would change forecast numbers.

- 1. Over the next five years, General Fund revenues will increase at a rate slower than projected expenditures. Equalizing the growth rate of both revenues and expenditures is essential to avoid future expenditure cuts or tax increases.**
 - Limit recurring supplemental operating expense additions to \$500,000 and non-recurring supplementals to \$1.5 million within the General Fund
 - Include midyear adjustments
 - Limit operating budget impacts to the Capital Improvements Program to \$750,000 annually for the biennial budget period of 1999-01
 - Provide \$300,000 for the biennial budget period of 1999-01 expressly for fringe benefits
- 2. Based upon the Long-Range Financial Capacity Study, allocate anticipated surplus from the General Fund for non-recurring expenses as follows:**
 - Allocate 1/3 to the Rio Salado program for capital improvements
 - Establish reserves, with the balance of surplus revenue going to the Capital Improvements Program as pay-as-you-go financing
- 3. The economy continues to signal a slowdown. Maintain the City's strong financial reserve program.**
 - Cap the Rainy Day Reserve at \$8 million
 - Increase the Rio Salado Reserve to \$10 million by increasing the current \$7.5 million reserve by \$1.25 million in each of the two years of the biennial budget
 - Cap the General Fund Fund Balance at 25% of General Fund revenues
- 4. Although the past ten years have shown an average annual increase in assessed values of 2.16%, we are projecting the next 10 years average at 3.5%. This increased assessed value, assuming the City maintains its property tax rate at \$1.40/\$100 assessed value, provides increased bond capacity.**
 - Increase the Debt Management Plan's G.O. Bond funding for tax supported debt to \$8.0 million annually beginning in FY 1999-00. No increase in the property tax rate (\$1.40/\$100 of assessed value) is needed to fund the increased capacity.
- 5. The City's revenue structure must be examined regularly to insure minor inflationary pressures do not go unnoticed requiring large percentage increases at some time in the future.**
 - Continue annual evaluations of enterprise funds (water, sewer, refuse and golf) with the purpose of recommending smaller percentage increases at appropriate intervals as opposed to waiting a longer period of time and requiring substantially larger percentage increases
 - Place fees for services on a regular review schedule
 - ◆ Year 1: Development related fees (building permits, plan check, etc.)



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- ◆ Year 2: Community Services fees (recreational, social services, library)
 - ◆ Year 3: Criminal Justice system fees

6. As the City moves forward with the Biennial Budget process, the following policy guidelines are being implemented to provide flexibility over the 24-month budget cycle.

- Implement a modified gainsharing approach whereby unspent budgeted dollars in supplies/services/capital outlay will carry over into the second year
- Carry over salary savings with Department Head and Management Services approval for specific purposes on a non-recurring basis
- Minimize midyear adjustments

7. Institute semi-annual budget reviews with the City Council.

8. Continue examination of current programs by each Department for potential “sunsetting” or budget trade-off.